

MEMORANDUM

THE WHITE HOUSE  
WASHINGTON

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MEMORANDUM OF CONVERSATION

PARTICIPANTS: President Gerald R. Ford  
Dr. Henry A. Kissinger, Secretary of State  
and Assistant to the President for  
National Security Affairs  
Earl L. Butz, Secretary of Agriculture  
Roy L. Ash, Director, Office of Management  
and Budget  
Alan Greenspan, Chairman, Council of  
Economic Advisors  
Lt. General Brent Scowcroft, Deputy Assistant  
to the President for National Security Affairs

DATE AND TIME: Tuesday, September 17, 1974  
12:15 p.m.

PLACE: The Oval Office  
The White House

SUBJECT: Food Policy

The President: The purpose of this meeting is to decide on a food aid policy. Various options are laid out in the Ash memo.

The low option is \$700 million plus. It's the same dollar value as before but a lower quantity because of the price rise.

Secretary Butz: This is the outlay and to it is added reflow, freight, etcetera. So the amounts total \$800 million. Some of these, like tobacco and rice, we can get at somewhat lower prices. The basic question . . . I am for the middle level. I think you should go higher than the dollar level of before if you can find the money. There are enough conditions to do it without strain.

The President: If we took Option C or B, what would be the impact on the housewife?

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CLASSIFIED BY: HENRY A. KISSINGER

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NSA, Mem Cons, Box 5, 9/17/74

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Secretary Butz: You can't reserve half a billion without having some price impact. I can't say how much, but it would be mildly inflationary. You would get the plaudits of the liberal press. My problem is I don't have the money in my budget.

The President: Suppose we just said "an increase in" without specifying.

Secretary Butz: Little effect.

The President: Suppose we said "significant increase."

Secretary Butz: I wouldn't do that.

Mr. Ash: You could end up with the worst of both worlds. You would focus here on the increase, and foreigners would see it is not an increase in quantity.

The President: Butz said in the case of wheat and rice prices, they would be lower than last year.

Secretary Butz: We supply 40% of the world's commercial rice.

The President: I don't understand your budget.

Secretary Butz: I have the lower amounts budgeted. I just can't find an extra \$200 or \$400 million.

Mr. Ash: The Agriculture budget was vetoed for \$150 million, and this would add \$250 million. You have adequate authorization to get the money from wherever you want. It accumulates by up to \$1.9 billion a year. And you don't need to go to Congress.

The President: Where does it come from?

Mr. Ash: It is an automatic supplemental -- it goes up after the contract is let.

Secretary Butz: My budget now is in veto and I am negotiating. I can't add \$300 million and negotiate with the Committee Chairman. He doesn't like this now.

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The President: Let's think of a scenario which gives us a foreign policy and humanitarian benefit. We could make a commitment for an increase, unidentified. Then we commit on a quarterly basis.

Secretary Kissinger: In quantity, Options A and B represent a decrease. This is one of the few weapons we have to deal with oil prices.

The President: Do the recipients deal with quantities, not dollars?

Secretary Kissinger: I don't think the individual countries will make that connection. The problem will be cutting countries which expect it. I would rather cut for those who would be disappointed anyway and use it for foreign policy.

Secretary Butz: I agree. There are countries that have been living for years on Title II.

Mr. Ash: Henry has a good chart which shows the impact which different levels give.

Secretary Kissinger: I don't give a damn about Bangladesh or humanitarian grounds. I want it for foreign policy.

Secretary Butz: Can't you recognize that we have had a bad year but that we will make every effort to make a commensurate effort with last year?

Secretary Kissinger: It is actually good, but it sounds bad.

Mr. Greenspan: Why can't we say the crops aren't in yet and we don't know?

Secretary Kissinger: The President is scolding everyone at the United Nations for being miserly on energy, and the less we say we'll do on food, the less effect it has. We are trying to tell the Third World they must be cooperative, and in turn we will try to cooperate.

Secretary Butz: What we really have to offer is food.

The wheat and rice crops are practically harvested.

The President: You will have a good feel by March of what kind of winter wheat crop you will have. Can't we just go with the first two quarters and defer the later quarters?

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Mr. Ash: At what rate will we actually be spending the money, aside from what we say?

The President: In the speech, we have the idea that the oil producers have an asset, and we have an asset. If we want them to cooperate, we must reassure them in a strong way that we want to reciprocate. If it worked, we could get some cost of living benefit.

Secretary Kissinger: At Option 3, we could get enough with a few to get the benefits you seek.

The President: India gets a substantial amount under Title II, without us.

Secretary Kissinger: But this is useful in weaning India away from the Soviet Union.

Mr. Greenspan: A few words about the price outlook. There are risks, and I recognize the important tradeoffs. Especially the oil thing. Anything we can do is at least as important as budget restraint. When there are small reserves, there is a strong impact of withdrawals on price. Anticipation or unexpected withdrawals could get you a substantial price reaction. People now are so sensitive to the situation now that I worry. If we could hold things down by quarters, it would help. There is a corn-wheat tradeoff and if the corn crop gets frost, there could be a price reaction which could be blamed on PL-480.

Mr. Ash: There are also those who want export controls.

Secretary Butz: That undercuts you with the oil producers.

The President: Is that pressure higher or lower?

Mr. Ash: I think the speech language is okay.

[The President reads it aloud.]

Secretary Butz: We should add that each country will determine how its food reserves will be held.

I think if you make a commitment to more than double our assistance.

Secretary Kissinger: We can say "substantially increase."

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Secretary Butz: Or, "we are prepared to harken -- or respond -- to appeals for export controls." [After phrase about "deaf ear."]

The President: I am bothered by the phrase "declining crop."

Secretary Butz: I would say "disappointing summer."

Secretary Kissinger: I would not give them this lever by letting them say we couldn't do more anyway. We want to point out that the oil producers are putting export controls and we are taking a cooperative approach.

The President: If we do it quarter by quarter, we have options.

Mr. Ash: The question is at what rate we disburse -- at the high- or low-option rate. I recommend we disburse at a lower rate with the prospect of increasing if we can.

The President: With the exception that for good foreign policy reasons, we increase when we need it.

Secretary Kissinger: I would start at the higher rate. Some of these countries will do things we don't like and we could cut them for that as we would have to anyway. While the UN is going on, I would like to let them continue thinking that we are doing something new, but we can tell them we don't necessarily guarantee it for the year.

The President: Who makes the decision?

Mr. Ash: We have an interagency system which does it under whatever policy guidance exists. But we could make the decisions one by one without an overall policy framework.

Secretary Kissinger: For example, we have to do something for India. If we are to make a breakthrough, it is over the next three months. I would like to demonstrate to the Soviet Union that they don't get much for their investment, but these countries slip away.

Secretary Butz: Why don't you keep as flexible as possible and we will work to get the most possible. We do it quarter by quarter, but we agree we need more in the budget.

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I will tighten up on the agencies to the extent possible. But you will take a lot of heat.

The President: How does this compare with McGovern?

Secretary Butz: McGovern had stacked hearings. His plan would give away the Treasury.

The President: How about keeping them at the low levels at most. Lower than the low options.

Mr. Ash: We shouldn't publish any program or total. We will have to meet again on specific decisions.

The President: I would like for the next meeting to know where we are in the actual execution: What have we used, what we have left, etcetera.

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